ALBERTA OPPORTUNITY COMPANY

ALBERTA OPPORTUNITY COMPANY

ANNUAL REPORT FOR THE YEAR ENDING MARCH 31, 1990

TURNING OPPORTUNITY INTO ENTERPRISE

91-00423/

CONTENTS

Board of Directors ____ 1

Report from the Directors ____ 2

AOC's Seed Funding and Venture Funding Divisions ____ 4

PROFILE: King Kuby Sausage ____ 8

PROFILE: Kuny Leather Manufacturing Co. Ltd. ____ 10

PROFILE: Wainwright Metal and Crane ____ 12

PROFILE: Aeromedical Emergency Services Ltd. ____ 14

Financial Statements ____ 17

Loans, Guarantees and Equity Investments ____ 26

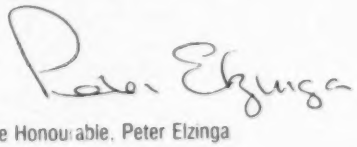
Alberta Opportunity Fund Act

"There is hereby established a fund under the name of the Alberta Opportunity Fund, the total amount of which shall not exceed $300,000,000 and which shall be held and administered by the Company with the object of promoting the development of resources and the general growth and diversification of the economy of Alberta. The Board has direction and control over the conduct and affairs of the Company."

Alberta Opportunity Company

reports to the legislature through:

The Minister of
Economic Development and Trade.



The Honourable, Peter Elzinga

Heritage Fund

Board Of Directors

Back row, *l. to r.:*
J. Allan Sarkissian, Edmonton; David A. Heaton, Edmonton; Betty Park, Medicine Hat; Joanne McLaws, Calgary; Gordon V. Greenwood, Edmonton; Ron H. Blake, Edmonton.

Front row, *l. to r.:*
Walter Holowack, Grande Cache; Jack C. Donald, Chairman, Red Deer; Wayne R. Watts, Wainwright; Rollie R. Johnson, High Prairie; A. Wayne Taylor, Fort McMurray; Roy Parker, President and Managing Director, Ponoka; Nels S. Nelson, Grimshaw. (Not in picture: Robert D. Matheson, Calgary and Paul I. Kennedy, Edmonton)

Inset:
Jack C. Donald, Chairman, and Roy Parker, President and Managing Director.

Report From The Directors

We are pleased to report that the fiscal year ended March 31, 1990, saw AOC once again achieve record numbers in providing support to Alberta's small business community.

The entrepreneurial spirit is flourishing in Alberta, and AOC continues to work closely with the province's business community to foster this spirit which plays such an important role in the growth and diversification of our province's economy.

AOC approved a record number of loans and investments in Fiscal 1990 and, for the first time in its history, exceeded 400 approvals in one year. This continued growth reflects a strong and growing economy which is being driven by the small business sector thanks to the energy, innovation and ingenuity of Alberta's entrepreneurs.

During Fiscal 1990, AOC established a new Seed Funding Division to assist in providing much needed equity for businesses developing products with leading-edge technology in their industries and business sectors. From a standing start when it opened its doors on August 1, 1989, the division has reviewed in excess of 500 business plans and, to date, has approved investments in nine different businesses. Additionally, a significant number of proposals are continually being reviewed, many of which will ultimately be approved. Among those approved is Quickstep Ladder. The brainchild of Richard Karst, company president, the Quickstep is a ladder which collapses into an easily carried package. By simply unfolding, it snaps into a strong, serviceable ladder. This patented new product is expected to win strong market acceptance.

AOC's Seed Funding Division expects to play a major role in the years ahead in helping to transfer technology developed in Alberta by Albertans to the marketplace.

AOC's Conference Division completed another banner year, organizing and conducting a successful entrepreneurs' conference in Calgary. Over 420 attendees spent two and one-half days in an intensive learning environment, gathering information relating to starting and running a business. This highly acclaimed conference was successful in large measure due to the generous support of successful business people, leading law and accounting firms, and departments of the provincial and federal government, all of whom participated in and conducted sessions which proved to be both helpful and popular with the attendees. The Conference Division also conducted a one-day seminar on "starting a small business" in Grande Prairie with 120 individuals in attendance. The success of these conferences has led to planning for five more conferences to be held in various areas of the province in Fiscal 1991.

AOC's Venture Funding Division continued its active role in providing venture capital to Alberta

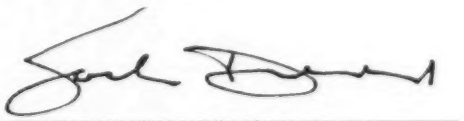
companies involved in leading-edge technology. These businesses, although generally at an early stage of development, have commercial products and working prototypes which appear to have a significant possiblity of market acceptance. During Fiscal 1990, AOC approved 18 investments for $11,075,000. Among these is an investment in Microtech Well Logging and Consulting Ltd. This company is developing a new generation of gas chromatography equipment for use in the oil patch. AOC joined with two other partners to assist in funding product development. The first commercial unit will be available in the autumn of 1990.

AOC's Consulting Services Division operated at capacity throughout the year, providing assistance to AOC customers in many areas of business operations, including financial management, building construction, manufacturing systems, marketing and merchandising. Charter Coating Services Ltd. was one of the Consulting Division's many satisfied customers, having received assistance with both marketing and general management techniques.

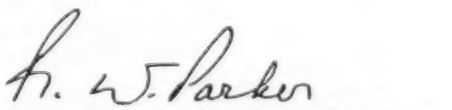
The highlight of the year for AOC was the performance of its Lending Division: for the third year in the past four, the division set a new record for number of loans approved for Alberta businesses. These loans were spread throughout the province and represent a wide variety of business and industry sectors and business sizes. Our loans assisted in the establishment of new businesses, expansion of existing businesses and changes of ownership. Among the businesses receiving AOC assistance were Carrying Industries of Alberta, an Edmonton-based manufacturer of workers' safety harness rigging, and Stained Glass Workshop Calgary Ltd., which produces stained glass panels and lighting for decorative purposes. Both of these growing enterprises have established significant markets for their products outside of Alberta.

AOC's Board of Directors, management and staff take great satisfaction from their ability to provide financial and management assistance to Alberta's small business community. Alberta's positive entrepreneurial environment and its energetic, capable and hard-working people make the province an excellent place to live, work and operate a business. AOC will continue to seek out innovative and imaginative financing methods designed to further the health and success of this environment.

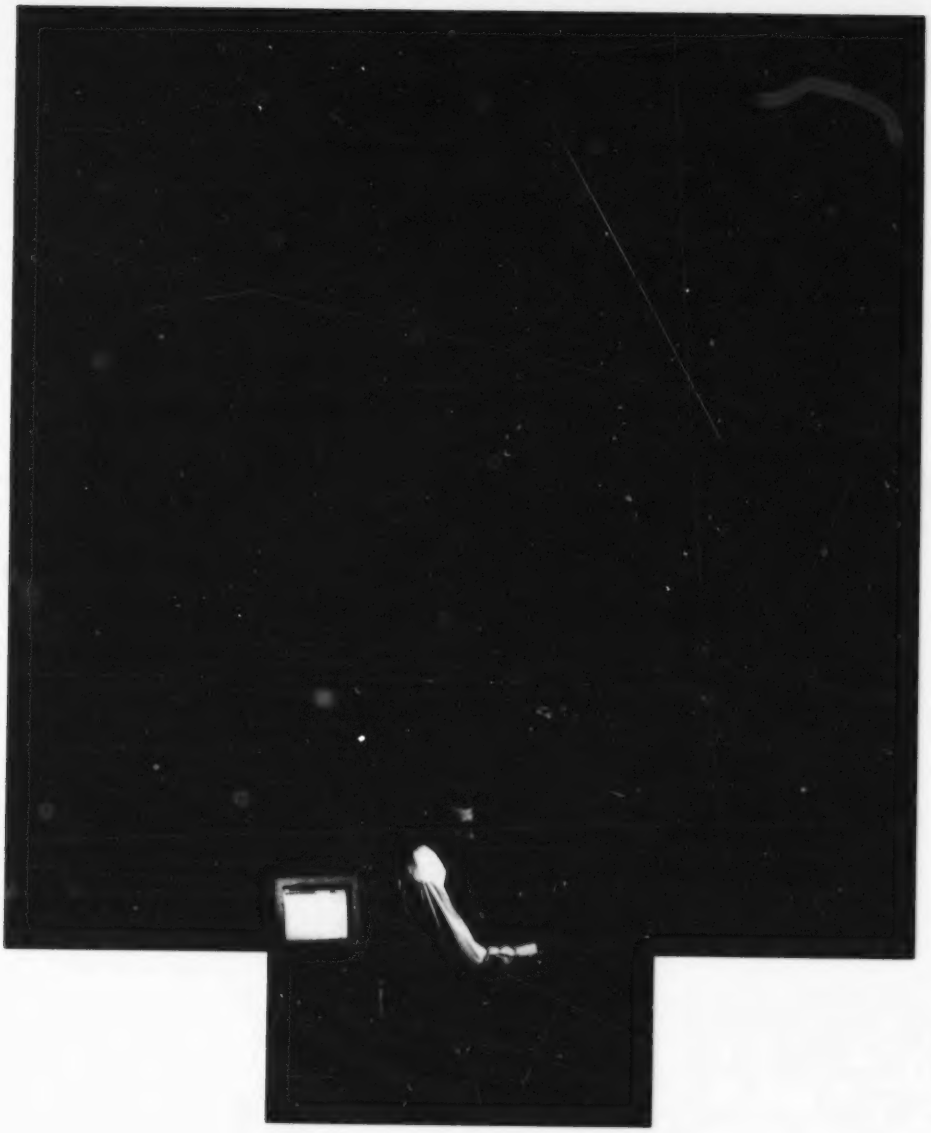
For the Board of Directors:



Jack Donald, Chairman



Roy W. Parker, President and Managing Director



"AOC's Seed Funding & Venture Funding Divisions are finding no shortage of exceptional people with exceptional, innovative and creative ideas."

Darren Maine, Railbase Technologies, Calgary

SEED FUNDING, VENTURE FUNDING DIVISIONS

The Seed and Venture Funding divisions of AOC are bold new initiatives supporting both established companies and creative Alberta entrepreneurs. The steady, strong interest in both divisions speaks well of the creativity and innovative nature of Albertans. Seed Funding, formed in the spring of 1989, takes new ideas and supports them; gives them the base they need to develop and grow.

Venture Funding, born in 1987, invests in businesses that are ready to move into production — looking for a high economic growth potential, technological benefits for Alberta, and, of course, a return on investment to AOC. As Seed Funding's vice president Amir Datoo says: "Nobody in the private sector seems to be taking these kinds of risks. Given the high number of inquiries, there is an evident demand for this type of service. And there are a lot of exceptional Albertans who have good ideas, who need funding to bring their projects to market."

The Seed Funding Division was developed because AOC recognized that there is a shortage of seed capital (equity funds) that would enable inventors and entrepreneurs to develop their ideas or products towards the goal of commercial production. It was another step in the same visionary direction that brought about the inception of the Venture Funding Division two years earlier. The concept of seed funding refers to the funding of all the stages of development — from ideas to research, to the development of prototypes, to the registration of patents and market feasibility studies.

"Basically," says Datoo, "we're looking at products that are at the development stage, the idea stage or the pre-commercial sale stage. And we're looking for people with exceptional technical skills, and the talent to bring the project to fruition; and then a step further to actually marketing the product."

With up to $250,000 available to each investee, Seed Funding covers companies that may be too small an investment for Venture Funding.

In order to qualify, the product or service must be unique; preferably something that can be patented, copyrighted, or has a secret formula. It must have exceptional growth potential.

"A very, very wide spectrum of people have applied for funding," says Datoo, touting such products as a specialty lint remover, a "door-like" shower curtain device and simple photo frames. In its first year, he says, Seed Funding has looked at everything from software/hardware companies to medical companies that are developing both products and instruments. Seed has received approval for nine investments to date with a value of $1,761,500 and Datoo says the division is still looking at about 30 proposals.

Amir Datoo

Vice President,

Seed Funding

"We're particularly interested in developing a relationship with the universities in Alberta," he says. "Indeed, in order to facilitate the transfer of technology we hope to develop a closer relationship with all institutions of higher learning in the province."

An example of this is SPI Synthetic Peptides Inc., a company linked to the University of Alberta. SPI is currently working on a vaccine called "Pseudomonas", aimed at preventing pneumonia in patients after major surgery, and an anti-bleeding agent. AOC has approved an investment of $250,000 in this company.

Seed also invested in a company called Global Laser Systems. Their product was developed by an experienced auto-body mechanic, Vern Palombi, in response to an existing gap in the market.

The product is a laser measuring system which accurately measures car frames for alignment purposes. It's safe, uses a low-energy tripod-mounted laser that's connected to a computer and operated by a joystick. The product is unique in that it is more compact, more accurate and faster than anything offered on the market at this time. The company participated in the Canadian International Automotive Show in Toronto in May.

With today's environmental concerns, Seed's interest in the D'Laras Corporation's Dump'er recycling system is understandable. With the initial idea of coming up with a "viable alternative" to the garbage can 'Blue Box', D'Laras developed a multi-colored, multi-compartment garbage container system. The Dump'er system's first prototype was completed in August of 1989. These new boxes are designed to fit under apartment or home sinks, and the system is expandable to include color-coded garbage bags and cans. The company came to AOC in September, 1989, and received funding for the further development of prototypes and marketing strategies.

"The idea is to segregate the garbage," says Datoo, "so that it's already sorted when it gets to the truck." D'Laras took the Dump'er system to Vancouver's Globe '90 show in March and it garnered an enthusiastic response. The City of Edmonton has introduced the system in one apartment complex on a trial basis, and the company is negotiating a contract with another municipality in the area.

AOC's Venture Funding Division, although it also makes equity investments, serves a different segment of the market than Seed Funding. Says Calgary Venture Manager Gordon Taylor, "Our aim is to invest in companies which have their product developed, but require financing for production facilities, market development or expansion. We attempt to structure a method of financing that is innovative, adaptive and will earn a return for AOC based on the success of

rd Taylor,
lgary Venture
nding Manager

the investee company." Generally, Venture considers investments between $250,000 and $1.5 million, but occasionally will consider proposals up to the $3 million level."

"The rule of thumb in this type of 'high risk' venture investing," says Taylor, "is that we should expect to invest in four per cent of the proposals we investigate. The "2-6-2" rule, in which two of every ten investments will be total failures, six will be "walking wounded" (which may be recouped over time) and two will be "winners" which live up to pre-investment expectations, seems to be working in Venture.

Since Venture was established in 1987, there have been 1089 inquiry-proposals, 60 of which were investigated with "full due diligence," leading to 43 approvals valued at $32,890,000. Seven of the authorized investments did not close, leaving 36 investments in 29 companies with a current protfolio value of $23,480,000.

Venture's commitment to Alberta is evidenced by the combined payroll of its 29 investees: 540 Albertans take home $ 1,298,000 per month.

"We're looking at businesses that are at the leading edge of the field in which they are competing. The potential areas given priority when looking at investments are: high technology, manufacturing, tourism potential, and forestry products innovation."

One such business is Railbase Technologies Inc., a company that Taylor admits might have gone to the Seed Division had it been in existence at the time. "Venture invested in Railbase seven months ago, in the early stages of development when they had an unproven prototype," he says.

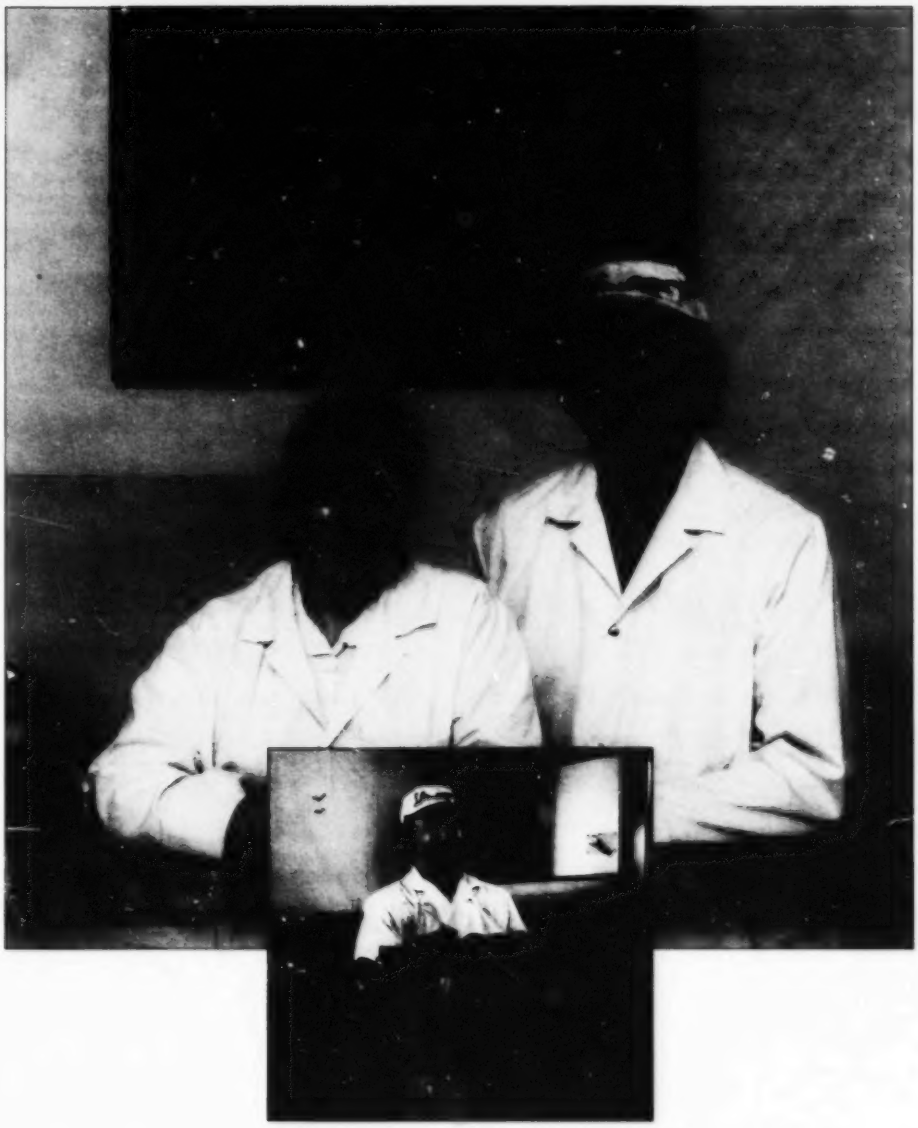
Railbase Technologies went on to develop a microwave technique that examines the wear and tear on rail car and locomotive wheels. The equipment measures wear accurately, on a "pull-by" basis (at speeds of up to 10 mph), by way of a stationary, track-mounted detector bank. In the past, inspections had to be performed manually, on stationary cars. The company will be demonstrating the prototype at NorFolk and Southern Railways' maintenance yards in Chattanooga, Tennessee on June 1st.

An example of a more mature Venture investment is Amptech. Amptech was a company well established in the field of injection molding but needed equity investment to achieve its full potential. "They produce a tough, temperature resistant plastic, basically all the plastic parts on the outside of the telephone," says Taylor. Venture came in on a second level of investment with $1.6 million. Amptech has over 30 telecommunication, defence and electronic clients in North America and Europe. It most recently acquired BMC Manufacturing, a company with similar technology in metals molding, which gives it a 21-country customer base.

The Seed Funding Division and Venture Funding Division are new directions for AOC.

These new divisions significantly increase AOC's ability to offer needed support to Albertans who have the vision and the courage to pursue their goals and dreams.

PROFILES



"At that time, there were 6,500 in the Plumbers and Pipefitters union, 4,000 of which were unemployed."

Judy and Allan Brayer, King Kuby Sausage, Ferintosh

King Kuby Sausage

Allan Brayer was a pressure welder until the the economy took a downward swing in the early 80s. It was then, after 25 years in the welding field, that he looked around and decided it was time to work for himself.

"At that time," he says, "there were 6,500 in the Plumbers and Pipefitters union — 4,000 of which were unemployed."

Allan saw that it was time to get out on his own so he started a sausage manufacturing company he called King Kuby Sausage in Ferintosh, Alberta.

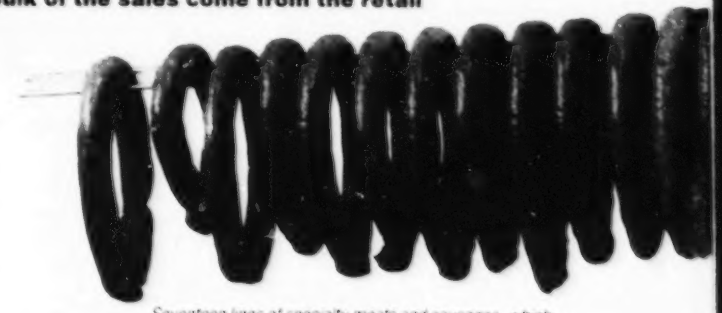
He did not come to this vocation by chance. Allan's father was a sausage maker in Poland and Germany in the 1920s.

"I grew up with sausage," he says, "but it wasn't until the mid-seventies that I took a real interest in it." At that time, Allan began making sausage in his basement, using his father's recipes and creating some of his own. Soon his inherited hobby had become a growing business. However, in 1985, as a result of his financing falling through, he found himself with no money and an already standing building.

If AOC hadn't given me the loan, it would have been a few years before I got going; maybe never."

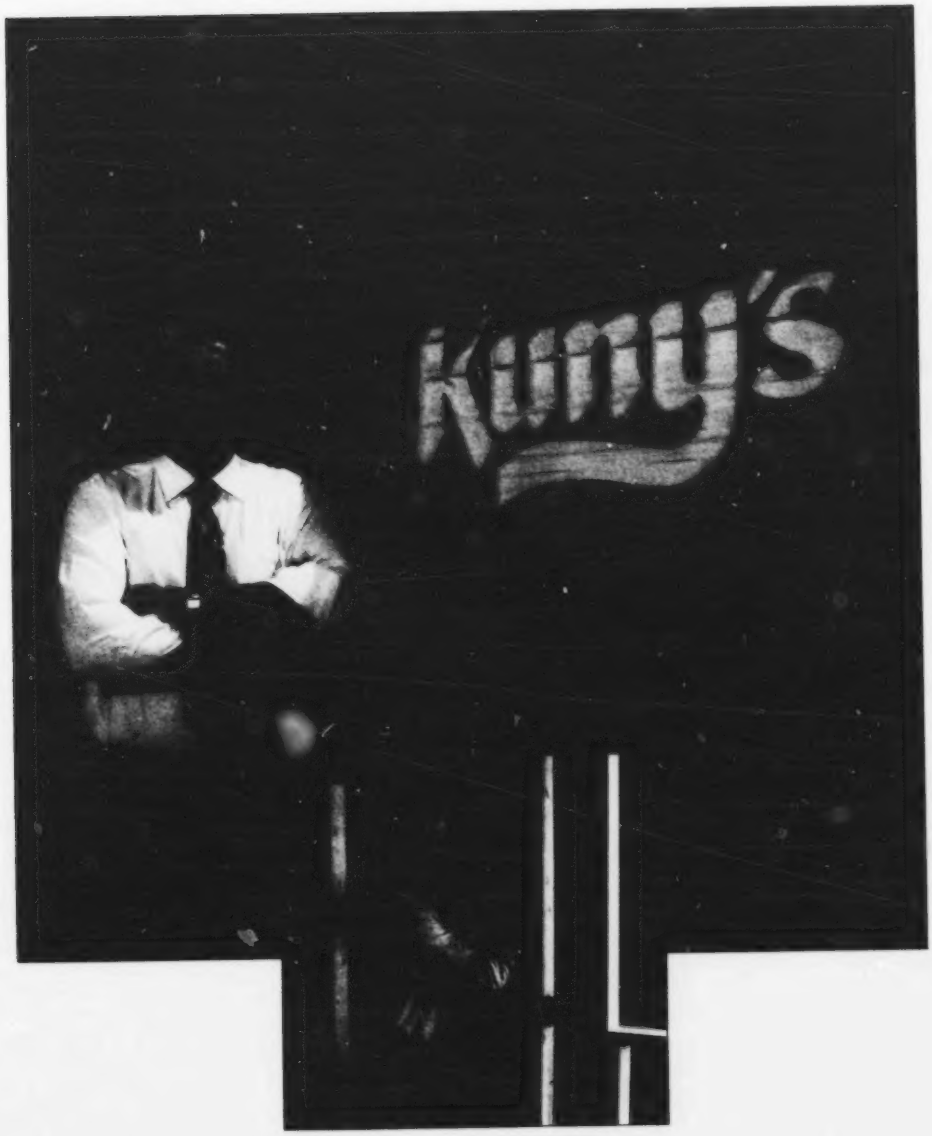
The company now grosses over $100,000 a year with markets in Stettler, Camrose, Leduc and Edmonton. But the bulk of the sales come from the retail outlet in Ferintosh.

King Kuby Sausage boasts 17 lines of specialty meats and sausage, including garlic sausage, ham sausage, and beef jerky which many of his customers say is the "best in the world."



Seventeen lines of specialty meats and sausages, which some say are the "best in the world"

"Basically, we're a very small business," says Allan, who runs the company with his wife and partner, Judy. "We know what the market is and we know what will sell."



"We looked around and saw what was on the market and knew there was room for improvement."

George Kuny, owner, Kuny Leather Manufacturing, Leduc

KUNY LEATHER MANUFACTURING CO. LTD.

People told me when I first started my business that if it wasn't 'down east,' it couldn't be done. Well, I just don't believe that. If a product is worthy it doesn't matter where you make it."

That's George Kuny's philosophy and it's obviously a winning one since Kuny's Leather Manufacturing Company is truly an Alberta success story.

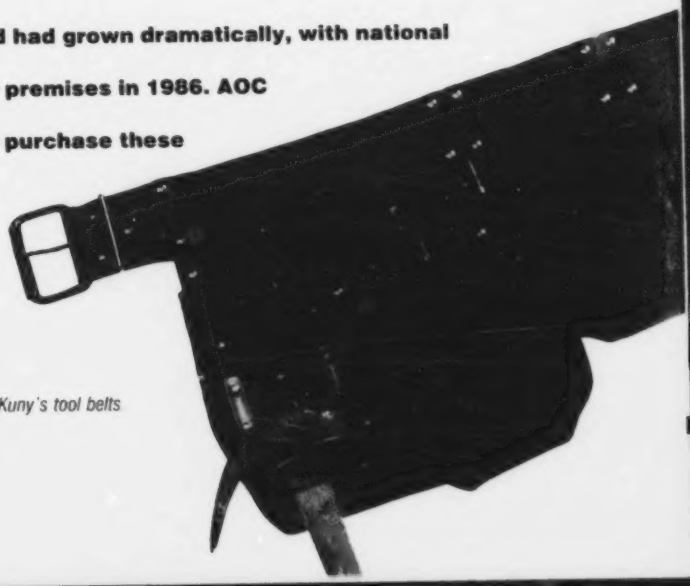
George had been in the leather industry for 15 years prior to his company's inception in 1979. He'd seen a void and done some research, and was ready to take his vision into a hopefully thriving reality.

The unique designs and the quality of products brought the company a couple of national accounts in the early years. "They believed in our product — it was a completely different design — it was our design."

In those first years, Kuny's was producing carpentry/housing industry hammer-holders, tape-holders, electric screwdriver holders and basic utility belts. It didn't take long for the company to grow. By 1981, George had six employees and Kuny's was grossing $600,000 per year in a 1,500 sq. ft. building. "And then," he says, "we just got better." New belt and holder designs carried the company into the dry-walling, electrical, and forest industries.

"We looked around and saw what was on the market and knew there was room for improvement."

By 1985, Kuny's employed 20 people and had grown dramatically, with national accounts across Canada. It moved to larger premises in 1986. AOC provided the funding that enabled Kuny's to purchase these premises in 1988, and with employees now numbering more than 50, Kuny's is looking to expand the present facility in the near future.



A national market for Kuny's tool belts

"There's no way it would have happened this soon — without the help of AOC; it's hard to say what I would have been doing."

Vic Bazley and Doug Roberts. Wainwright Metal and Crane

WAINWRIGHT METAL AND CRANE

Doug Roberts was always attracted to the idea of building things.

"I was geared that way from the beginning. In school I always spent a lot of my time in industrial arts — welding, and working with metal."

Today he's running Wainwright Metal and Crane Ltd. which was started in 1979 with the help of an AOC loan. He'd just spent a full year at Lakeland College and while in college, Doug saw the need for the type of metal supply company he would eventually operate. "There was a demand — I saw a demand and I certainly enjoyed fabricating things."

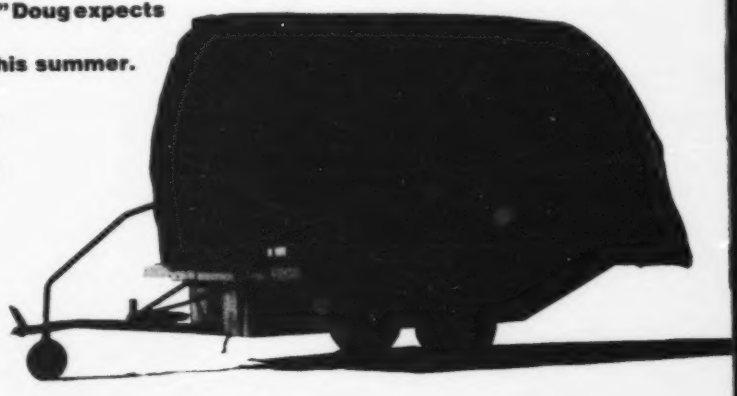
So Doug turned his vision into reality.

"No one would look at me," he says. "I was 18-years-old when I went down to AOC with this idea, and they listened."

The company, which started out dealing in scrap metal, soon branched off into oil field construction, metal and hardware supplies, and the construction of warehouses, offices and farm buildings. In 1983, Vic Bazley joined the company to assist in handling the expanding business.

With a steady 20 per cent growth per year, Wainwright Metal and Crane Ltd. has launched a division called Central Industries which is fabricating Traquas. A Traqua is a combination all-terrain vehicle, boat, tent, and utility trailer. This project began with a production run of 50 vehicles last winter. The target market is hunters, outdoorsmen, construction crews, and "anybody who works or plays in an outdoor environment." Doug expects to double his current eight employees this summer.

"There's no way it would have happened this soon without the help of AOC."



The Traqua: all-terrain vehicle, boat, tent and utility trailer

"AOC has been fantastic;

the follow-up and

support from our local

representative has been

great."

Gordon Burnell and Lisa Boyer-Smyth,

founders of Aeromedical.

Aeromedical Emergency Services Ltd.

It was a merger of experience and need that brought Lisa Bowyer-Smyth and Gordon Burnell from Vancouver to northern Alberta to form Aeromedical Emergency Services Ltd.

The need was for emergency medical service in northern Alberta; the experience was Lisa and Gordon's backgrounds as paramedics, first aid teachers to the Canadian Coast Guard and in developing training programs for marine first aid.

In September of 1988, Lisa and Gordon bought the assets of an existing emergency service company that was going out of business in High Level, and started Aeromedical. In 1989, they went to AOC in order to get money to purchase a new four-by-four ambulance.

"We were purchasing an ambulance — and needed the four-by-four — and had to have it custom made in Florida," says Gordon, who has 14 years of Armed Forces experience with a Search and Rescue background. Lisa adds that it's difficult to understand how rugged the terrain is up in northern Alberta unless you've been there. "If you drive around this country with a clean (unbroken) windshield — in ten miles you're guaranteed a crack."

They got the loan and haven't stopped growing since. "AOC has been fantastic," says Lisa. "The follow-up and support from our local representative has been great."

The company, based in High Level, provides emergency medical service to 200,000 square miles of northern Alberta by air and land. In their first year, Aeromedical transported 473 patients by air; in the first five months of this year, they've taken care of 317.

By land, Aeromedical goes as far north as the NWT border; or as Lisa says: "Basically, we go anywhere the roads go. Northern rural Alberta is

A vital service covering 200,000 square miles.

unique to the province — sometimes it means spending hours with a patient."

The thriving company began with two employees and three ambulances. (Aeromedical charters their emergency aircraft, both fixed-wing and helicopter.) Today, the hand-crafted, four-by-four ambulance worth around $100,000 fully equipped, is just one of five ambulances. There are now 14 employees, the company has just opened a new office for ground ambulance service in Fort Vermilion, and is in the process of purchasing a new ambulance.

"The future holds more growth," says Gordon.

"When we got here, we made a commitment to servicing the oil patch and that's where we would like to grow."

They're already providing emergency service for Saskatchewan Oil and Gas, and are on response lists for oil companies in British Columbia and Alberta. "We want to grow with Alberta," says Gordon. "We're an Alberta company and that's important to us."

AUDITORS REPORT

ALBERTA LEGISLATURE

OFFICE OF THE AUDITOR GENERAL

To the Board of Directors of the
Alberta Opportunity Company

I have examined the balance sheet of the Alberta Opportunity Company as at March 31, 1990 and the statements of revenue and expense and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Company as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Donald D. Salmon

Edmonton, Alberta
May 11, 1990

FCA
Auditor General

BALANCE SHEET

MARCH 31, 1990
(in thousands)

ASSETS

	1990	1989
Cash	**$ 7,292**	$ 6,314
Accounts receivable	**273**	263
Property held for sale (Note 3)	**4,113**	4,994
Loans receivable (Note 4)	**119,402**	116,881
Venture investments (Note 5)	**6,361**	9,195
Seed investments (Note 6)	**223**	---
Fixed assets (Note 7)	**847**	573
	$ 138,511	$ 138,220

LIABILITIES AND ACCUMULATED DEFICIT

Accounts payable and accrued expenses	**$ 1,568**	$ 1,580
Bank guarantees called	**1,550**	1,915
Subordinated note payable (Note 8)	**20,731**	---
Long term debt (Note 9)	**156,693**	163,800
	180,542	167,295
Accumulated deficit (Note 10)	**(42,031)**	(29,075)
	$ 138,511	$ 138,220

The accompanying notes are part of these financial statements.

Accepted on behalf of the Board:

Chairman

Director

Statement Of Revenue And Expense

FOR THE YEAR ENDED MARCH 31, 1990
(in thousands)

	1990	1989
Revenue:		
Interest	$ 15,425	$ 14,832
Grant from the Province of Alberta for the assistance of small business (Note 11)	11,000	11,869
	26,425	26,701
Expense:		
Interest	17,180	15,801
Provision for doubtful accounts and loss on realization (Note 12)	12,220	9,675
Operations (Note 13)	9,608	8,128
Loss on property held for sale (Note 14)	373	70
	39,381	33,674
Net (loss) for the year	$ (12,956)	$ (6,973)

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 1990
(in thousands)

	1990	1989
Cash provided by (used for):		
Operations		
Net (loss) for the year	**$ (12,956)**	$ (6,973)
Non-cash items:		
Provision for doubtful accounts and loss on realization	**12,220**	9,675
Depreciation and amortization	**126**	57
Bad debt recoveries	**1,244**	627
Property held for sale	**855**	933
Loans receivable:		
Disbursed	**(35,289)**	(27,443)
Repaid	**30,168**	33,447
Venture investments:		
Disbursed	**(8,239)**	(11,518)
Repaid	**459**	128
Seed investments:		
Disbursed	**(447)**	---
Other	**(787)**	(506)
	(12,646)	(1,573)
Financing		
Subordinated note:		
Issued	**24,105**	---
Repaid	**(3,374)**	---
Long term debt:		
Issued	**31,500**	85,000
Repaid	**(38,607)**	(86,000)
	13,624	(1,000)
Increase (decrease) during the year	**978**	(2,573)
Cash at beginning of year	**6,314**	8,887
Cash at end of year	**$ 7,292**	$ 6,314

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1990

Note 1 Authority

The Alberta Opportunity Company operates under the authority of the Alberta Opportunity Fund Act, Chapter A-34, Revised Statutes of Alberta 1980, as amended.

Note 2 Significant accounting policies

Property held for sale:

Property held for sale is valued at the lower of cost or net realizable value. Provision for loss on realization is determined following a review of properties.

Loans receivable:

Loans are stated net of unearned revenue and allowance for doubtful accounts.

The provision for doubtful accounts is determined following a detailed review of the accounts and is based on the Company's historical experience.

Interest income is recorded on the accrual basis until such time as the loan is classified as non-accrual. Interest on non-accrual loans is recognized as revenue when received.

Venture investments:

Venture investments are recorded at cost less an allowance for loss on realization.

Provision for loss on realization of venture investments is determined following a detailed review of the investments and specific provisions are made for those investments known to be in difficulty. In the absence of historical experience, a general provision of 25% of the balance of the portfolio is recognized.

Interest and dividends on venture investments are recorded as income when received.

Seed investments:

Seed investments are recorded at cost less an allowance for loss on realization.

Provision for loss on realization of seed investments is determined following a detailed review of the investments and specific provisions are made for those investments known to be in difficulty. None of the seed investments made appear to be in difficulty. However, in the absence of any long-term loss experience with this portfolio, an allowance of 50% of the funds advanced has been provided.

Interest and dividends on seed investments are recorded as income when received.

Fixed assets:

Equipment is valued at cost less accumulated depreciation. Depreciation is calculated on a straight line basis at rates of 15% and 20% per annum.

Leasehold improvements are valued at cost less accumulated amortization. Amortization is calculated over the remaining term of each lease.

Grant from the Province of Alberta for the assistance of small business:

The grant from the Province of Alberta is recorded as revenue in the year which it is approved.

Note 3 Property held for sale (in thousands)

	1990	1989
Cost	**$6,669**	$7,524
Less: Allowance for loss on realization (Note 12)	**2,556**	2,530
	$4,113	$4,994

Note 4 Loans receivable (in thousands)

	1990	1989
Loans and accrued interest receivable	**$132,669**	$131,327
Less: Allowance for doubtful accounts (Note 12)	**13,267**	14,446
	$119,402	$116,881

Note 5 Venture investments (in thousands)

	1990	1989
Convertible debentures	**$ 3,445**	$ 3,712
Preferred shares	**4,340**	3,540
Common shares	**8,832**	5,306
Shareholder loans	**259**	150
	16,876	12,708
Less: Allowance for loss on realization (Note 12)	**10,515**	3,513
	$ 6,361	$ 9,195

Note 6 Seed investments (in thousands)

	1990	1989
Preferred shares	**$100**	$---
Common shares	**347**	---
	447	---
Less: Allowance for loss on realization (Note 12)	**224**	---
	$223	$---

Note 7 Fixed assets (in thousands)

	EQUIPMENT	LEASEHOLD IMPROVEMENTS	1990	1989
Cost	$1,376	$198	**$1,574**	$1,174
Less: Accumulated depreciation/ amortization	575	152	**727**	601
	$ 801	$ 46	**$ 847**	$ 573

Note 8 Subordinated note payable

Financing made available by the General Revenue Fund of the Province of Alberta in support of the Company's venture investments and seed investments is provided on issue of subordinated notes payable. The notes rank subordinate to all monies advanced to the Company secured by debentures issued to the Alberta Heritage Savings Trust Fund. Repayment terms of the notes require repayment of the principal sum without interest on the disposition of an investment or on demand by the Province. Negotiations are being pursued which will provide the Province with a sharing in gains on disposition of an investment following elimination of the Company's accumulated deficit.

Note 9 Long term debt (in thousands)

The following debenture debt series comprise debentures issued in varying amounts, rates of interest and maturity dates to the Province of Alberta and held by the Alberta Heritage Savings Trust Fund:

	Issued	Interest Rates	Maturity Dates	Balance Outstanding
Series C	$125,000	8.06% to 11.00%	June 15, 1990 to February 28, 1994	$ 56,800
Series D	50,000	11.28%	September 30, 1990 to March 31, 1997	45,875
Series E	56,500	10.22% to 11.67%	June 15, 1990 to March 30, 1998	54,018
	$231,500			$156,693

Principal repayments are scheduled as follows: for the year ending March 31,

1991	$34,598	1995	14,808
1992	28,897	1996	16,504
1993	23,521	1997	18,394
1994	15,286	1998	4,685
			$156,693

Note 10 Accumulated deficit (in thousands)

	1990	1989
Balance, beginning of year	**$(29,075)**	$(22,102)
Net loss for the year	**(12,956)**	(6,973)
Balance, end of year	**$(42,031)**	$(29,075)

Note 11 Grant from the Province of Alberta for the assistance of small business

The Province of Alberta maintains the financial viability of the Company by granting money appropriated for this purpose. The grant is based on an estimate of the cash needs of the Company for the current year. Any under-estimation of these needs is incorporated in the following years grant. The amount underestimated for the current year is approximately $8.0 million. This amount will be included in the Province of Alberta appropriations for the year ended March 31, 1991 and recorded as revenue in that year.

Note 12 Provision for doubtful accounts and loss on realization (in thousands)

	PROPERTY HELD FOR SALE	LOANS RECEIVABLE	VENTURE INVESTMENTS	SEED INVESTMENTS	**1990**	1989
Allowance, beginning of year	$2,530	$14,446	$ 3,513	$---	**$20,489**	$19,801
Provision	26	1,443	10,527	224	**12,220**	9,675
Bad debt recoveries	---	1,157	87	---	**1,244**	627
Accounts written off	---	(3,779)	(3,612)	---	**(7,391)**	(9,614)
Allowance, end of year	$2,556	$13,267	$10,515	$224	**$26,562**	$20,489

Note 13 Operations (in thousands)

	LOANS	VENTURE	SEED	CONFERENCE	**1990**	1989
Salaries and benefits	$4,594	$ 557	$255	$144	**$5,550**	$4,880
Board of Directors fees	115	14	6	4	**139**	149
Legal and other fees	1,023	180	25	3	**1,231**	1,069
Communications	608	190	40	10	**848**	739
Other operating	1,478	235	88	39	**1,840**	1,291
	$7,818	$1,176	$414	$200	**$9,608**	$8,128

Note 14 Loss on property held for sale (in thousands)

The loss represents the net operating results and disposals on businesses and properties being managed until sold. These were acquired from borrowers whose businesses defaulted on loans.

	OPERATING RESULTS	DISPOSALS	**1990**	1989
Revenue/sale proceeds	$2,305	$2,661	**$4,966**	$4,882
Expenses/acquisition costs	2,076	3,263	**5,339**	4,952
Net income (loss) for the year	$ 229	$ (602)	**$ (373)**	$ (70)

Note 15 Contingent liabilities (in thousands)

Guarantees of bank loans:

The Company is contingently liable as a guarantor of bank loans aggregating $1,163 ($786 - 1989).

Legal actions:

There are forty eight claims totalling approximately $36,181 (fifty two claims totalling approximately $37,265 - 1989) against the Company. The Company considers that a valid defense exists in each instance and no material loss is anticipated.

Note 16 Commitments (in thousands)

Authorizations undisbursed:

	1990	1989
Loans	**$13,254**	$14,367
Guarantees	**120**	375
Venture investments	**6,604**	4,500
Seed investments	**817**	---
	$20,795	$19,242

Note 17 Comparative Figures

The 1989 figures have been reclassified where necessary to conform to 1990 presentation.

Loans, Guarantees, And Equity Investments

1990 Authorizations By Size

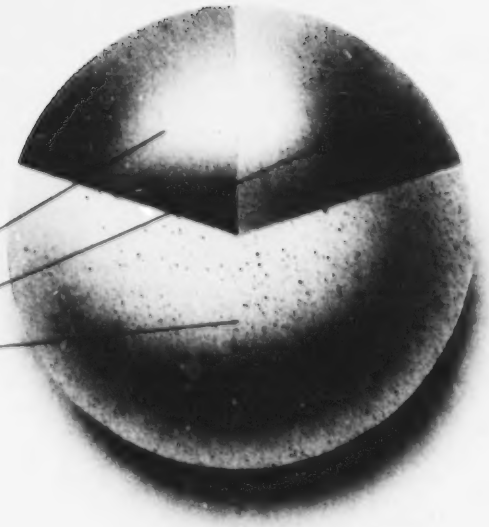
51% of new authorizations were under $50,000. 3% were over $500,000.

Over 500,000	3%
200,001 to 500,000	7%
100,001 to 200,000	18%
50,001 to 100,000	21%
Under 50,001	51%

1990 Authorizations, By Purpose

60 % of new authorizations were provided for expansion, 21% to start new business and 19% to purchase enterprises

Business Purchase	19%
New Business	21%
Expansion	60%

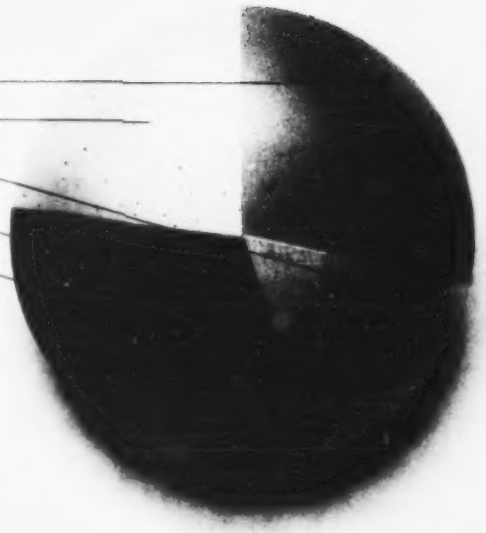


1990 Authorizations, By Region

New authorizations were

geographically located as follows:

Northern Alberta	28%
Calgary	23%
Southern Alberta	18%
Central Alberta	17%
Edmonton	14%



Loans, Guarantees, And Equity Investments

Authorizations to March 31, 1990

	1990		1989		1988		1987	
	#	$	#	$	#	$	#	$
Applications Received	**1113**	**284,458,300**	995	126,605,300	1144	150,611,800	1190	169,523,600
Authorizations Made	**428**	**46,186,800**	347	34,518,100	391	46,048,600	388	34,236,700
Average Amount		**107,900**		99,500		117,800		88,200
Median Amount		**49,300**		42,800		45,000		45,300
Authorizations by Size								
50,000 & Under	**217**	**4,795,800**	195	4,116,100	218	4,642,600	214	4,271,500
50,001 to 100,000	**90**	**6,609,900**	53	4,022,600	64	4,714,100	71	5,397,900
100,001 to 200,000	**75**	**11,200,100**	61	8,749,200	66	9,333,900	71	10,456,500
200,001 to 500,000	**32**	**9,228,000**	25	7,505,200	31	8,668,000	22	6,070,800
Over 500,000	**14**	**14,353,000**	13	10,125,000	12	18,690,000	10	8,040,000
Authorizations by Purpose								
Establish New Business	**89**	**4,141,700**	79	3,049,000	81	8,509,200	105	4,003,100
Expand Existing Business	**256**	**33,274,000**	209	25,562,700	219	28,997,500	203	22,181,900
Purchase Existing Busines	**83**	**8,771,100**	59	5,906,400	91	8,541,900	80	8,051,700
Authorizations by Region								
Northern Alberta	**122**	**11,360,400**	91	9,093,300	108	16,189,000	82	8,105,100
Central Alberta	**71**	**6,875,600**	71	5,094,100	75	7,938,000	72	5,081,600
Southern Alberta	**76**	**7,139,400**	59	4,304,200	61	4,288,100	109	8,797,500
Edmonton	**61**	**11,795,000**	64	9,075,500	73	9,504,000	50	3,261,700
Calgary	**98**	**9,016,400**	62	6,951,000	74	8,129,500	75	8,990,800

Total Authorizations by Region (To March 31, 1990)

Region	#	$
Northern Alberta	1396	153,632,900
Central Alberta	1100	117,339,500
Southern Alberta	1247	124,010,400
Edmonton	755	83,100,900
Calgary	898	90,031,700

HEAD OFFICE

President & Managing Director
Roy. W. Parker

Vice President, Lending
J.R. Anderson

Vice President, Administration
Brian W. Parsk, C A

Vice President, Support Services
D.E. Trenerry

Vice President, Venture Funding
John D. Kennedy

Vice President, Seed Funding
A.L. Datoo

Assistant Vice President, Lending
J. Wayne Blair

Assistant Vice President, Finance & Comptroller
James D. Gill

Assistant Vice President, Lending
B.W.E. Conroy

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Manager: H.M. Caveny

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Resident Commercial Credit
Officer: Allan Kuechle

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Manager: G.D. Noe

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Manager: J.D. Ablett

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Telephone: (403) 381-5474
Manager: R.A. Fredrickson

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Telephone: (403) 529-3594
Manager: G.J. Pollock

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Manager: G.E. Taylor

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